

Key events in developed markets next week

US jobs data, global PMI surveys and an ECB meeting top the agenda next week



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Solid US data unlikely to cure market pessimism on outlook

We think markets are getting a bit ahead of themselves when pricing in a recession in the US over the next couple of years. The dataflow has remained solid so far, and that should be the general trend over the coming week. That said, we don't think Friday's key jobs report will cause a massive rethink among investors. Jobs growth could slip back after a bumper reading in April, although if it does, we think it will be more a function of constrained supply, rather than weaker demand. The National Federation for Independent Businesses has consistently reported that almost 40% of firms have positions they are not able to fill due to a lack of workers. Importantly for the Fed, this does appear to be translating into higher wages. Admittedly, the headline earnings numbers have been less exciting of late, but there is survey-based evidence that firms are looking towards non-wage benefits (sign-on bonuses, more vacation etc) to keep staff on-board.

In short, we don't expect the Fed to follow through with the rate cuts that markets are now pricing in, although a lot depends on trade. Trade tensions are growing, and markets will be watching next week to see if a) Trump is inching closer to placing tariffs on the remaining basket of Chinese goods and b) if China is gearing up for further, non-tariff retaliation.

✓ Eurozone: Time for inflation to show its true colours

After a few months of Easter distortions, the true picture of eurozone inflation will come into view next week. On the back of a higher April reading, a drop in both core and headline inflation is expected, but the question is how far down will both actually go? As uncertainty continues, businesses tend to take increased costs into their margins, delaying the recovery of core inflation that the higher wage growth would warrant. Focusing on Germany, we have the next batch of industrial data due next week. This should provide some interesting insights into whether the bottoming out of industry continued or was simply a one-off.

Moreover, the European Central Bank will very likely present details of its Targeted Longer-Term Refinancing Operations (TLTRO) pricing. But more importantly, keep a close eye on the latest macro projections, as these should provide some idea of whether the ECB would eventually be willing to cut rates again or not.

✓ UK PMIs to hint at ongoing economic weakness

UK Prime Minister Theresa May will officially stand down next week, kick-starting a leadership contest that is widely expected to result in a more eurosceptic candidate taking over. As 'no deal' fears return over the summer, the economy will continue to suffer. PMIs next week are likely to hint at subdued activity, partly as firms continue to make costly preparations for a 'no deal' exit instead of investing in new projects. While consumer activity has the potential to continue performing a little more strongly as we head into the summer, we think the effect of Brexit uncertainty will keep a lid on overall growth and we don't currently expect a Bank of England rate hike this year.

✓ Canada: Economic slack could weigh on strong labour market fundamentals

May should provide us with additional reassurance that the labour market continues to show resilience amid global trade chaos, though we wouldn't be surprised if fundamentals started dropping off their recent highs in the coming months. The recent soft patch of growth has arguably knocked the economy off its 'running with limited spare capacity' trajectory, which was a common theme throughout 2018. The emergence of this economic slack, coupled with the recent US-China trade flare up, could easily see firms postpone any hiring decisions until better data starts to materialise and uncertainty wanes.

During all of this, immigration should continue to put upward pressure on the labour force participation rate. In the short-term, in light of the above reasoning, we may see the unemployment rate edge higher – though this should only be temporary; as we head into late-2019/early-2020, we expect economic growth should start to regain some momentum and we should start to hear some more positive trade rhetoric. In the meantime, we will be scrutinising employment growth in goods-producing industries to see if we can spot an early sign of recovery in sectors that have been struggling more recently – particularly energy and construction.

Developed Markets Economic Calendar

| Country | Time | Data/event | ING | Survey | Prev. |
|-------------------------|------|--|----------|---------|-----------|
| Saturday 1 June | | | | | |
| Italy | - | Economy Festival: Dep. Finance Ministers (1330), BOI Gov. (02/06/19, 1100) | | | |
| Monday 3 June | | | | | |
| US | 1500 | May ISM Manufacturing | 53.0 | 53.3 | 52.8 |
| | - | Fed Speakers: Daly (0245), Barkin (1740), Bullard (1825) | | | |
| Eurozone | 0900 | May F Markit Manufacturing PMI | 47.7 | - | 47.7 |
| UK | 0930 | May Markit/CIPS Manufacturing PMI | 52.8 | - | 53.1 |
| New Zealand | 0300 | Treasury Publishes Monthly Economic Indicators | | | |
| Norway | 0800 | May DNB/NIMA Manufacturing PMI | - | - | 53.8 |
| Sweden | 0830 | Apr Retail sales ex. Fuel (MoM, YoY%) | 0.4/1.3 | 0.6/1.5 | 0.5/2.0 |
| Portugal | 1100 | Monthly Employment & Unemployment Estimates | | | |
| Tuesday 4 June | | | | | |
| US | 1500 | Apr F Durable Goods Orders (MoM%) | -2.1 | - | -2.1 |
| | 1500 | Apr F Durable Goods Orders ex. Transport (MoM%) | 0.0 | - | 0.0 |
| | - | Fed Conferences: Williams (1330) - Bank Culture, Powell (1445) - Framework | | | |
| Japan | 0050 | May Monetary Base (JPY tr) | 512.5 | - | 514.6 |
| Eurozone | 1000 | Apr Unemployment Rate (%) | 7.7 | - | 7.7 |
| | 1000 | May A Core CPI (YoY%) | 1.0 | - | 1.3 |
| | 1000 | May Flash CPI (YoY%) | 1.4 | - | 1.7 |
| Australia | 0230 | Apr Retail Sales (MoM%) | 0.3 | - | 0.3 |
| | 0530 | RBA Cash Rate Target | 1.25 | 1.25 | 1.5 |
| | 1030 | RBA Gov. Lowe Speaks in Sydney | | | |
| Sweden | 0830 | 1Q Current Account Balance (SEKbn) | - | - | 39.6 |
| Wednesday 5 June | | | | | |
| US | 1315 | May ADP Employment Change (000's) | 200.0 | 175.0 | 275.0 |
| | 1500 | May ISM Non-manufacturing | 55.5 | 56.0 | 55.5 |
| | 1900 | U.S. Federal Reserve Releases Beige Book | | | |
| | 1445 | Fed Conferences: Clarida - Framework | | | |
| | 1600 | Fed Speakers: Bostic - Housing Panel, Atlanta | | | |
| Eurozone | 0900 | May F Markit Services PMI | 52.5 | - | 52.5 |
| | 0900 | May F Markit Composite PMI | 51.6 | - | 51.6 |
| | 1000 | Apr Retail Sales (MoM/YoY%) | -/- | -/- | 0.0/1.9 |
| UK | 0930 | May Markit/CIPS Services PMI | 50.7 | - | 50.4 |
| | 0930 | May Markit/CIPS Composite PMI | 51.1 | - | 50.9 |
| | 0900 | BOE Ramsden Speaks in London | | | |
| Italy | 0900 | Istat Releases the Monthly Economic Note | | | |
| Australia | 0230 | 1Q GDP (QoQ/YoY%) | 0.5/1.8 | -/- | 0.2/2.3 |
| | 0230 | RBA Heath Speaks in Perth | | | |
| New Zealand | 2300 | Govt. 10-Month Financial Statements | | | |
| Norway | 0700 | 1Q Current Account Balance (NOKbn) | - | - | 46795.0 |
| | 1045 | Norges Bank Gov. Olsen Speaks in Stavanger | | | |
| Sweden | 0730 | May Swedbank/Silf Services PMI | - | - | 54.0 |
| Thursday 6 June | | | | | |
| US | 1330 | Apr Trade Balance (US\$bn) | -50.5 | -50.8 | -50.0 |
| Japan | 0925 | BOJ Kuroda Speaks at 2019 IIF Spring Membership Meet (Tokyo) | | | |
| Eurozone | 1000 | 1Q F GDP (QoQ/YoY%) | 0.4/1.2 | -/- | 0.4/1.2 |
| | 1245 | ECB Main Refinancing Rate | 0.0 | - | 0.0 |
| | 1245 | ECB Marginal Lending Facility | 0.25 | - | 0.25 |
| | 1245 | ECB Deposit Facility Rate | -0.4 | - | -0.4 |
| | 1330 | ECB's Draghi Speaks in Vilnius | | | |
| Germany | 0700 | Apr New Orders (MoM/YoY%) | 0.3/-5.0 | -/- | 0.6/-6.0 |
| UK | 1000 | BOE Gov. Carney Speaks at 2019 IIF Spring Membership Meet (Tokyo) | | | |
| Australia | 0230 | Apr Trade Balance (A\$mn) | 5269.0 | - | 4949.0 |
| Friday 7 June | | | | | |
| US | 1330 | May Change in Nonfarm Payrolls ('000s) | 175.0 | 193.0 | 263.0 |
| | 1330 | May Unemployment Rate (%) | 3.7 | 3.6 | 3.6 |
| | 1330 | May Average Hourly Earnings (MoM/YoY%) | 0.3/3.2 | 0.3/3.2 | 0.2/3.2 |
| | 1330 | May Participation Rate | - | - | 62.8 |
| Japan | 0030 | Apr Labour Cash Earnings (YoY%) | -1.7 | - | -1.9 |
| | 0600 | Apr P Leading Economic Index | - | - | 95.9 |
| UK | - | Prime Minister Theresa May due to resign, kicking off leadership contest | | | |
| Germany | 0700 | Apr Industrial Production (MoM/YoY%) | 0.2/0.2 | -/- | 0.5/-0.9 |
| | 0700 | Apr Trade Balance (€bn) | 22.0 | - | 22.6 |
| Italy | - | BOI Report on Balance-Sheet Aggregates | | | |
| Canada | 1330 | May Net Change in Employment | - | - | 106.5 |
| | 1330 | May Unemployment Rate (%) | 5.8 | - | 5.7 |
| Norway | 0700 | Apr Industrial Production (MoM/YoY%) | -/- | -/- | -1.4/-6.5 |
| | 0700 | Apr GDP Mainland (MoM%) | - | - | 0.3 |
| Sweden | 1115 | Riksbank's Ingves Speaks in Paris | | | |

Source: ING, Bloomberg

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Authors

James Smith

Developed Markets Economist

james.smith@ing.com

Bert Colijn

Senior Economist, Eurozone

bert.colijn@ing.com

Carsten Brzeski

Global Head of Macro

carsten.brzeski@ing.de

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